

## Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03 SS-15

USIA-15 ACDA-19 IO-15 EB-11 COME-00 TRSE-00 OMB-01

AGR-20 AID-20 DRC-01 NIC-01 SSC-01 /181 W

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P R 102305Z OCT 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 3900

INFO UESGT/AMEMBASSY GUATEMALA 3450

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

USCINCSO

C O N F I D E N T I A L SAN SALVADOR 3838

E.O. 11652: GDS

TAGS: PGOV, ES

SUBJ: CABINET SHIFTS

REF: SAN SALVADOR 3819

USCINCSO FOR POLAD

SUMMARY: FOLLOWING RESIGNATIONS YESTERDAY OF MINISTERS OF AGRICULTURE AND ECONOMY AND EXECUTIVE SECRETARY OF CONAPLAN, GOES HAS MOVED SWIFTLY TO NAME REPLACEMENTK WHO WILL REPORTEDLY BE SWORN IN TODAY. FORMER COFFEE COMPANY PRESIDENT LLACH HILL WILL TAKE AGRICULTURE, BCR VICE PRESIDENT HIDALGO QUEHL WILL HEAD ECONOMY AND PORT AUTHORITY PRESIDENT VIEYTEZ CANAS WILL REPLACE NOYOLA AT CONAPLAN. PRELIMINARY ASSESSMENT INDICATES THAT APPOINTMENTS OF CONSERVATIVE ALTHOUGH COMPETENT NEW MINISTERS MAY HAVE BEEN DESIGNED TO OFFSET CONCERN IN THE PRIVATE SECTOR ABOUT A LEFTWARD DRIFT OF THE MOLINA GOVT. WE DO NOT BELIEVE, HOWEVER, THAT THESE  
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SHIFTS NECESSARILY PROVE TMAT THE GOVT IS NOW EMBARKED ON A MORE CONSERVATIVE COURSE. END SUMMARY.

1. CASA PRESIDENDIAL CONFIRMS THIS MORNING'S PRESS

REPORTS THAT FOLLOWING WILL BE SWORN IN TODAY TO REPLACE THREE CABINET MINISTERS WHO RESIGNED YESTERDAY: MINISTER OF AGRICULTURE--ROBERTO LLACH HILL; MINISTER OF ECONOMY--DR. GUILLERMO HIDALGO QUEHL; EXECSEC OF CONAPLAN--LIC. ATILIO VIEYTEZ CANAS.

2. ALL THREE OF THE NEW MINISTERS ARE WELL AND FAVORABLY KNOWN TO THE EMBASSY. LLACH HILL, WHO UP TO A FEW MONTHS AGO WAS THE PRESIDENT OF THE SALVADORAN COFFEE COMPANY, IS A YOUNG, WEALTHY AGRICULTURALIST, EDUCATED IN THE U.S. HE IS A MEMBER OF THE OLIGARCHY AND REPORTEDLY HAS TIES TO SOME MILITARY LEADERS SUCH AS MOD COL. ROMERO. HIDALGO QUEHL HAS BEEN VICE PRESIDENT OF THE BCR SINCE 1961, IS ITS PRINCIPAL SUBSTANTIVE OFFICER AND A TRAINED ECONOMIST WELL RESPECTED IN THE BUSINESS COMMUNITY. VIEYTEZ, CURRENTLY PRESIDENT OF THE PORT AUTHORITY (CEPA), IS ALSO YOUNG AND U.S. EDUCATED AND IS MARRIED INTO THE OLIGARCHY HE IS CREDITED WITH RUNNING A VIGOROUS, WELL-MANAGED GOVT AGENCY. ALL THREE OF THE NEW CABINET MEMBERS ARE FRIENDLY AND WELL-DISPOSED TOWARD THE U.S.; IN THE MINISTRY OF AGRICULTURE, AT LEAST, WE ALREADY HAVE ASSURANCE THAT OUR AID PROGRAM WILL NOT BE AFFECTED BY THE CHANGE. (COMPLETE BIO REPORTS WILL BE PREPARED.)

3. THESE SHIFTS RAISE TWO QUESTIONS, OF COURSE--WHY DID THE OLD GUARD DEPART AND WHAT DO THE NEW FACES SIGNIFY? VARIOUS THESE ARE OFFERED. IN THE CASE OF MINISTER OF AGRICULTURE ALVAREZ, HIS RESIGNATION MAY WELL HAVE BEEN LINKED TO THE ISSUE OF AGRARIAN REFORM. ALVAREZ HAS OFTEN SAID THUT THIS WAS HIS SOLE REASON FOR STAYING IN THE MINISTRY (HE WAS ONE OF THE TWO CABINET CARRY-OVERS FROM THE SANCHEZ GOVERNMENT) AND HE MAY HAVE FELT THAT THERE WAS LITTLE CHANCE THAT HIS REFORM PROGRAM WOULD BE PUSHED THROUGH IN THE NEAR FUTURE, ESPECIALLY FOLLOWING MOLINA'S RECENT STATEMENT TO PCN LEADERS THAT NO AGRARIAN REFORM LEGISLATION WOULD BE INTRODUCED UNTIL AFTER THE MARCH 1974 ELECTIONS. HIS VERY POSITION  
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ON THIS SENSITIVE ISSUE, OF COURSE, PROVIDED HIM WITH PLENTY OF ENEMIES ON THE RIGHT--ESPECIALLY LARGE LANDHOLDERS, AND PERHAPS SOME ELEMENTS IN THE MILITARY (ALTHOUGH THE MILITARY'S ABILITY TO AFFECT CIVILIAN CABINET CHANGES IN MOLINA'S GOVERNMENT SHOULD NOT BE OVERPLAYED). THEN, TOO, PRESIDENT MOLINA MAY NOT HAVE BEEN ENTIRELY SATISFIED WITH ALVAREZ' PERFORMANCE, ESPECIALLY ON THE QUESTION OF CORN AND BEAN SHORTAGES AND THE ILL-FATED PRICE CONTROL EFFORT. IN THE CASE OF SANCHEZ AGUILLION, HIS DEPARTURE HAS BEEN RUMORED FOR MANY MONTHS. HE WAS UNHAPPY IN THE JOB, THE BUSINESS COMMUNITY HAD LITTLE CONFIDENCE IN HIM, THE MILITARY SUSPECTED HIM OF LEFTIST LEANINGS, AND AGAIN, THE PRESIDENT PROBABLY WAS DISSATISFIED WITH

HIS HANDLING OF BASIC GRAINS PRICE CONTROLS. THERE ARE REPORTS THAT WHEN SANCHEZ AGUILLON HEARD ALVAREZ WAS RESIGNING, HE DECIDED TO JOIN THE LINE.

3. THE RESIGNATION OF CONAPLAN DIRECTOR NOYOLA IS THE MOST DIFFICULT TO EXPLAIN, UNLESS HE IS SIMPLY BEING LINED UP TO HEAD THE BCR (FROM WHICH HE CAME TO CONAPLAN) WHICH HAS BEEN RUMORED. EMBASSY AND AID CONTACTS WITH HIM EVEN IN RECENT DAYS OFFERED NO INDICATION THAT HE INTENDED TO LEAVE HIS POSITION. A HARD-WORKING, PROFESSIONAL TECHNICIAN, HE HAD NO KNOWN IDEOLOGICAL LEANINGS THAT MIGHT HAVE PROMPTED HIS DEPARTURE ALTHOUGH IN CONSERVATIVE CIRCLES ANY "PLANNER" IS SUSPECT. (IT WILL BE RECALLED THAT CONSERVATIVE BUSINESSMEN CRITICIZED THE FIVE YEAR PLAN AS "STATIST" AND "SOCIALIST".)

5. AS TO THE SIGNIFICANCE OF THE NEW TEAM, THEY WOULD APPEAR TO HAVE BEEN CHOSEN TO PLACATE CONCERNS ON THE RIGHT AT LEAST FOR THE MOMENT (SEE SAN SALVADOR 3543 RE "RUMBLINGS ON THE RIGHT"). LLACH HILL LIKE ALVAREZ IS A MEMBER OF THE "14", BUT IS KNOWN TO BE MUCH MORE CONSERVATIVE IN HIS VIEWS ON AGRARIAN REFORM THAT HIS PREDECESSOR, FAVORING REFORMS THAT TOUCH ONLY GOVERNMENT-OWNED OR UNUSED PRIVATE LANDS AND LEAVING PRODUCTIVE HOLDINGS ALONE. (ON THE OTHER HAND, SHOULD MOLINA MOVE FORWARD ON AN AGRARIAN REFORM PLAN--AS HE HAS REPEATEDLY SAID HE INTENDS TO DO--AND IF HE COULD  
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CONVINCE LLACH TO SEE THE LIGHT, HIS NEW AGRICULTURAL MINISTER WOULD BE IN AN EXCELLENT POSITION TO TRY TO SELL THE PROGRAM TO THE LANDED WEALTHY). VIEYTEZ, WITH HIS BUSINESS BACKGROUND AND HIS TIES TO THE OLIGARCHY SHOULD EASE CONCERNS IN THE BUSINESS COMMUNITY ABOUT ECONOMIC POLICY AS WOULD HIDALGO QUEHL WITH HIS LONG SERVICE IN THE FINANCIALLY CONSERVATIVE BCR. THUS, PRIVATE SECTOR LEADERS SHOULD BE HAPPY WITH ALL THREE APPOINTMENTS BOTH FOR THEIR IDEOLOGY AND THEIR PROFESSIONAL COMPETENCE.

6. DOES THIS THEN MEAN THAT MOLINA IS SHIFTING TO THE RIGHT OR THAT CONSERVATIVE INTERESTS HAVE THE POWER TO WORK THEIR WILL ON THE PRESIDENT? AS WE NOTED IN OUR ANNUAL ASSESSMENT OF THE MOLINA GOVERNMENT LAST AUGUST (A-112), A FAVORITE LOCAL PASTIME IS TRYING TO DECIDE IF MOLINA IS MOVING TO THE RIGHT OR THE LEFT. IN FACT, HIS RECORD INDICATES THAT HE TAKES TURNS DOING BOTH AS CIRCUMSTANCES DICTATE. THE ESTABLISHMENT OF THE MONETARY COUNCIL (NOW DOMINATED BY ORTHODOX ECONOMIC THINKERS SINCE LLACH HILL AND HIDALGO QUEHL TAKE THEIR SEATS ON IT) WAS WIDELY INTERPRETED AS A MOVE TO THE LEFT, TOWARD AN

INCREASE IN THE GOVERNMENT'S POLITICAL CONTROL OVER  
THE ECONOMY; THE CABINET SHIFTS NOW OFFSET THAT.  
WHILE NOT BEHOLDEN TO THE CONSERVATIVE BUSINESS  
INTERESTS EITHER POLITICALLY OR BY FAMILY TIES,  
MOLINA NONETHELESS IS NEITHER FREE TO NOR INCLINED  
TO PANIC THEM FOR HE KNOWS THAT THEIR CONFIDENCE IS  
IMPORTANT TO DOMESTIC INVESTMENT. THE CABINET  
SHIFTS MAY EASE THEIR FEARS ABOUT THE ADMINISTRATION  
FOR THE MOMENT BUT IF MOLINA FOLLOWS HIS PATTERN  
TO DATE AND AS HE ATTEMPTS TO OFFSET OPPOSITION PARTY  
CHARGES OF BEING BEHOLDEN TO THE WEALTHY AS THE  
ELECTIONS APPROACH, SOME OTHER MOVE TO THE LEFT COULD  
BE IN THE CARDS (I.E. AGRARIAN REFORM) THAT WOULD LEAVE  
THE RIGHT AS PUZZLED ABOUT HIS POLITICAL COLORATION AS  
EVER.

MOSKOWITZ

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<< END OF DOCUMENT >>

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